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C O N F I D E N T I A L SECTION 01 OF 02 KHARTOUM 000826

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E.O. 12958: DECL: 04/04/2016
TAGS: [EPET](#) [PGOV](#) [ECON](#) [PREL](#) [SU](#)
SUBJECT: WHITE NILE LIMITED/TOTAL IMBROGLIO COMES TO A HEAD

REF: A. KHARTOUM 490

[1](#)B. KHARTOUM 417

Classified By: P/E Chief Eric whitaker, ResonL Section 1.4(b) and (d)

[1](#)1. (C) Summary: A three-person committee appointed by the Government of Southern Sudan (GoSS) Council of Ministers has met with representatives of White Nile Limited (WNL) and Total to hear their respective proposals. The local Total representative told Consul General (CG) Juba that the committee informed him that Super Bloc B will be partitioned into at least three smaller blocs, that Total's 2004 contract with the Khartoum government is not binding, and that Total must immediately make an offer on one of the remaining concessions. The committee stated that, in order to respect the CPA rules on oil contracts, the granting of concessions would be forwarded to the National Petroleum Commission (NPC) for final approval, which could lead to a further impasse. Barring new developments, Total may elect to withdraw from Sudan. End Summary.

A Rush to Resolution

[1](#)2. (C) Local Total representative Jerome Servot met with CG Juba late on March 28 to report that the GoSS had followed Salva Kiir's orders and resolved the WNL/Total controversy before the end of March, albeit not in the fashion Servot would have preferred. The resolution mechanism consisted of a special GoSS ministerial committee consisting of the Minister of Legal Affairs Michael Makuai, Minister of Energy Albino Akol, and Minister of Finance Arthur Akuein. The committee was charged with speaking with both parties and drafting a recommendation to the GoSS Council of Ministers. Once this recommendation had been discussed and endorsed, it would become the official position of the GoSS and be presented to the NPC.

[1](#)3. (C) Servot related that he had paid an unscheduled visit to Akol, who then called the other members of the committee and told Servot to be ready to make a presentation within an hour. When Servot arrived at the meeting place, he discovered Dr. Bullen Bior, the most prominent Sudanese on the WNL board, had also been invited to hear the presentation. Servot said that he spent forty-five minutes explaining the Total proposal to the committee. Akuein busied himself with other paperwork during the presentation, and Servot said that the entire committee's eyes glazed over during the section describing Total's plans to safeguard the environment and promote community development.

GoSS Response

[1](#)4. (C) Servot said that Makuai responded for the committee in very tough terms, warning that if Total tried to litigate,

it would never work in the South. Makuai stressed that the December 2004 contract that Total signed in Khartoum was not binding, but said that the GoSS wanted to see the contract for "informational purposes." Makuai said that bloc B would be partitioned into at least three blocs: BA (Bor/Pibor), BB, and BC (Mangalla Basin). He asked for Total's fallback position. When Servot said that he was not authorized to negotiate a revised position, Akuein responded that Total should send someone down by March 31 who was authorized to make such commitments. The committee said an Asian operator had expressed interest in Block BC, but a contract had not yet been signed. They explained that the GoSS remained interested in an "amicable" settlement with total. Akuein added that a Total joint venture might still be possible in Bloc BA, presumably with Nilepet or WNL, although he did not elaborate.

Next Steps Unclear

15. (C) Servot said that he could not predict the reaction from Paris, although a withdrawal was possible. He said that he doubted strongly Total would want to send someone to negotiate for the least promising concession in Bloc B while under an ultimatum and in competition with an unknown competitor, presumably the Chinese. Servot said that he was willing to show the 2004 contract to the GoSS - Total had agreed to this at the Nairobi Investment Conference - but he knew this would be stymied by Khartoum. He said that Total was under pressure from the northern front as well, with the SAF general in charge of security telling him that Total should provide a month's notice before beginning operations so that he could "clean out" the area. Servot said that Total was not interested in Chinese methods; this alone would

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scuttle any Total operation in Sudan.

16. (C) Servot wryly noted that, when the meeting adjourned, to add insult to injury, Bior asked him for a lift back to the hotel. On the way, Bior blamed the original 1980 contract in part for triggering the 1983 war. Servot concluded that the manner in which the GoSS had dealt with Total would raise a red warning flag for any serious investor looking at Southern Sudan.

Comments

17. (C) Total finds itself in an untenable position. It can seek to cut a deal with WNL, as Riek Machar once publicly suggested; litigate and burn its bridges, which Total is loathe to do; or withdraw. Whatever the outcome, the lesson seems to be that investors seeking access to the resources of the south by signing deals with the National Congress Party (NCP) in Khartoum are courting trouble.

18. (C) The WNL representative has been unavailable, and we do not know if WNL fared any better; however, WNL has said that it is still continuing exploration activities outside of Bor. If the committee recommends partition and grants WNL the most promising bloc, it is unlikely the northern representatives on the NPC would agree. If the NPC reached an impasse, the petroleum would presumably remain in the ground, which might not be the worst solution if CPA implementation is at stake. The signature by either side of a separate deal with another operator could only complicate matters.

STEINFELD